

The Honorable Bob Stump
Chairman, Armed Services Committee
House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

Section 641 of the National Defense Authorization Act for Fiscal Year 2002 (Pub. L. No. 107-107) created "contingent" authority for the payment of disability compensation by the Department of Veterans Affairs without regard to whether the payees were also in receipt of military retired pay. The authority for concurrent payment of the two benefits was made contingent upon the President proposing, and Congress subsequently enacting, legislation fully offsetting the additional cost.

We are writing to advise you that the Administration has revised its estimate of the cost of authorizing the payment of both benefits concurrently, i.e., of eliminating the current requirement in law that a like amount of military retired pay be waived in order for an individual to receive VA disability compensation. The new estimate of the cost is \$58 billion over ten years -- \$42 billion associated with the additional payment of retired pay, and \$16 billion associated with payment of additional VA disability compensation under claims that would not otherwise be submitted. VA estimates that enactment would result in 700,000 original claims and 118,000 reopened claims over the next five years. Adjudicating these claims without increasing existing backlogs and adversely affecting timeliness would require an additional 2,514 full-time-equivalent employees.

In accordance with the Concurrent Budget Resolution of May 5, 2001, the Department of Defense is reviewing the concurrent-receipt issue and will provide a full report to the Defense Oversight Committees in early June.

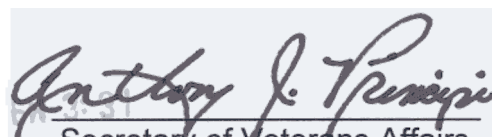
The Office of Management and Budget advises that there is no objection to the submission of this letter from the standpoint of the Administration's program.

Sincerely,

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Secretary of Defense


Secretary of Veterans Affairs

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